

PREPARED BY: Scott Danigole
 DATE PREPARED: January 18, 2012
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LB 858

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	82,618 to 165,235	82,618 to 165,235	81,756 to 163,512	81,756 to 163,512
TOTAL FUNDS	82,618 to 165,235	82,618 to 165,235	81,756 to 163,512	81,756 to 163,512

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 858 imposes additional requirements upon agencies seeking to enter into contracts for services that are in excess of twenty-five million dollars (\$25,000,000).

Administrative Services – Materiel Division (Materiel) is required to develop guidelines for agencies to use in conducting a proof-of-need analysis. Materiel is charged with certifying the analysis and, within thirty days, reporting its determination to the agency. Only upon certification of the analysis may the state agency enter into the proposed contract.

The costs associated with the proof-of-need analysis for any given state agency cannot be determined. Those costs may never occur at some agencies, simply because they will not attempt to enter into such high dollar contracts for services. Other agencies may have multiple occurrences. If any such additional costs are incurred, agencies will need to request funding through the normal budgetary process.

Materiel estimates the need for two additional FTE to address the potential workload associated with the bill's provisions. This is based on the assumption of thirty proposed contracts per year with staff time of 140 hours per contract.

Materiel has provided information stating that there are currently 27 contracts in excess of \$25 million, but 9 of those are exempt for other reasons. That leaves 18 current contracts that would have fallen under this bill's provisions. No information regarding the number of **proposed** contracts is provided. We know that 18 current contracts would have been covered by the bill, but we do not know how many proposed contracts were not signed that would also have required analysis.

The case could be made that thirty proposed contracts per year in excess of \$25 million is too high a figure. This may be the case, if one considers that there are 18 current contracts that would fall under the bill's provisions and they are likely contracts that run longer than a one year period. If they average 2 years (for example), there would be nine such contracts per year that fall under these provisions. That would appear to mitigate the bill's costs.

The above line of reasoning leads one to consider reducing the proposed impact to the need for one FTE.

However, section 12, subsection 3 requires Materiel to "report its determination to the state agency no more than thirty days after receipt of the analysis." If multiple contracts need to be reviewed and analyzed, this thirty day constriction would likely require more than one person to perform the required duties. For this reason, one would need to strongly consider the higher staffing level of two FTE.

The uncertainty of the number of proposed contracts and the timing in which the proposals are received create a level of uncertainty that must be considered. The bill's provisions appear to require a minimum of one FTE but possibly two. For this reason, a range of dollars is provided for Materiel. The fund source would be Revolving Funds.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	1/18/12	PHONE 471-2526
COMMENTS			
DEPT. OF ADMINISTRATIVE SERVICES – Agency's estimate appears to be reasonable.			

2012 Legislative Bill Proposal Fiscal Note

RECEIVED
JAN 18 2012
LEGISLATIVE FISCAL

Bill #: LB858

State Agency: Administrative Services - Materiel

Prepared by: Brenda Pape

Date Prepared: 1/10/2012

Phone: 402-471-0970

Estimate of Fiscal Impact – State Agencies

	FY 2012-13		FY 2013-14	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds	165,235	165,235	163,512	163,512
Total Funds	165,235	165,235	163,512	163,512

Explanation of Estimate:

LB858 requires agencies to provide additional requirements to the Materiel Division for contracts in excess of \$25,000,000. These requirements include, but not limited to, proof of need. This bill requires Materiel Division to develop guidelines for agencies to use in conducting a proof-of-need analysis, conduct legal research based on agencies identifying any relevant legal issues. The Materiel Division is then responsible for determining whether or not the proof-of-need and the best interest of the public has been met through documentation and justification from the agency. The Materiel Division is then required to approve or deny certification.

There are currently 27 contracts in excess of \$25,000,000, 9 contracts which are exempt from the competitive bid process due to other statutes or are listed as exempt in section 73-507. The remaining 18 contracts would be subject to this bill. The number of contracts has the potential to change based on agency needs.

An assumption of 30 contracts per year in excess of \$25,000,000 will be used for calculation of costs. An assumption of 140 work hours to conduct analysis, review and compile information to determine whether to approve or deny certification. 30 contracts x 140 work hours = 4200 hours. Develop, review, update guidelines = 200 hours. Based upon how the bill is currently written the Materiel Division would need two new staff members to carry out the requirements of this bill.

Estimated costs for the additional 2 FTE's are \$165,235 in FY12-13 and \$163,512 in FY13-14. These costs include salary and benefits (health insurance is budgeted using the State's current share of the highest cost family plan), ongoing annual operating costs (communication/data processing, printing/publication, supplies and rent/depreciation surcharge). There would also be a onetime cost in FY12-13 for the purchase of new equipment and set up costs of \$2,500 for each of the new employees (\$2,500 x 2 = \$5,000).

This would result in the need for additional appropriation and an increased Materiel - Purchasing Assessment to State Agencies.

The table below summarizes the impact by fund type of the increased statewide Materiel - Purchasing Assessment. The allocation by fund type is based on total FY10-11 operational expenditures.

	FY2012-13	FY2013-14
	Expenditures	Expenditures
General Funds	61,136	60,499
Cash Funds	49,571	49,054
Federal Funds	38,004	37,608
Revolving Funds	16,524	16,351
Total Funds	165,235	163,512

Major Objects of Expenditure

Personal Services:

Position Title:	Number of Positions			2012-13	2013-14
	12-13	13-14		Expenditures	Expenditures
Assistant Procurement Manager	1	1		50,390	51,398
Paralegal II	1	1		43,890	44,767
Benefits				57,205	58,597
Operating				8,750	8,750
Travel				0	0
Capital Outlay				5,000	0
Aid				0	0
Capital Improvements				0	0
TOTAL	2	2		165,235	163,512